

**Test Yourself Chapter 8 Investing money**      Name: \_\_\_\_\_

*All Multiple Choice*

- 1**    The yearly interest payable on a deposit of \$250 at 5.5% p.a. simple interest is: **B**

A    \$12.50  
 B    \$13.75  
 C    \$17.35  
 D    \$137.50

- 2**    The interest on \$12 167 invested for 5 years at 2.5% p.a. simple interest would be: **C**

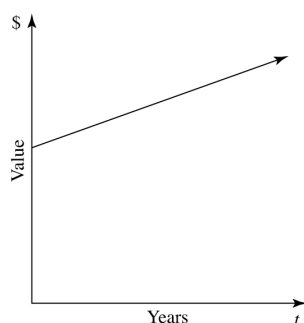
A    \$152.09  
 B    \$1220.87  
 C    \$1520.88  
 D    \$1521.00

- 3**    Sarah received \$81 interest on her term deposit of \$4500 over 3 years. The interest rate per annum was exactly: **C**

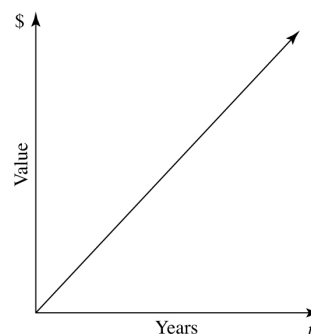
A    0.006%  
 B    0.06%  
 C    0.6%  
 D    6%

- 4**    Which of the following graphs could represent the value, over time, of an investment made under simple interest? **A**

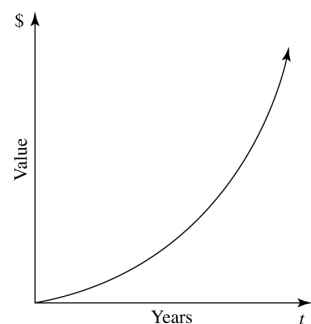
A



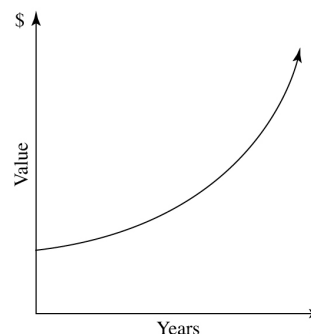
B



C



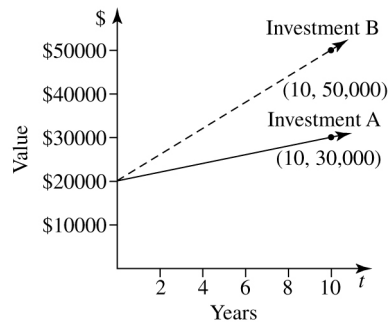
D



- 5**    Graeme invests \$20 000 at 7.5% p.a. simple interest. The number of years that it will take for Graeme's investment to double in value will be: **D**

A    11 years  
 B    12 years  
 C    13 years  
 D    14 years.

- 6** The graph drawn below shows the simple interest earned on two investments A and B. **A**



Which of the following statements is correct?

- A Investment B earns \$2000 more interest per year than Investment A.
- B Investment B earns \$300 more interest per year than Investment A.
- C Investment B earns \$20 000 more interest per year than Investment A.
- D Investment B earns \$30 000 more interest per year than Investment A.
- 7** The amount to which an investment of \$35 000 will grow in 5 years at 7% p.a. with interest compounded annually is closest to: **D**
- A \$12 250
- B \$14 100
- C \$37 250
- D \$49 100

- 8** The compound interest paid on an investment of \$32 000 invested at 8% p.a. for 3 years with interest compounded quarterly is closest to: **B**
- A \$8300
- B \$8600
- C \$40 300
- D \$40 600

- 9** An investment of \$10 000 at the rate of 8% per annum, compounded quarterly, will reach \$14 800 in close to: **D**
- A 2 years
- B 3 years
- C 4 years
- D 5 years.

- 10** Joe has a sum of money to invest at 7.95% p.a. over a 6-year term. Joe will earn the most interest if he is paid: **A**
- A compound interest with interest compounded monthly
- B compound interest with interest compounded quarterly
- C compound interest with interest compounded annually
- D simple interest.

The information shown below is to be used to answer questions **10** to **12**.

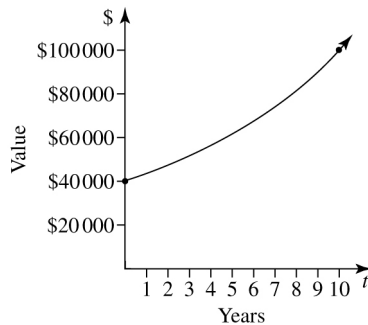
The *CVIF* table shown below shows the future value of \$1 under some investments.

Periods	Interest rate per period				
	4%	5%	6%	7%	8%
<b>4</b>	1.170	1.216	1.262	1.311	1.360
<b>5</b>	1.217	1.276	1.338	1.403	1.469
<b>6</b>	1.265	1.340	1.419	1.501	1.587
<b>7</b>	1.316	1.407	1.504	1.606	1.714
<b>8</b>	1.369	1.477	1.594	1.718	1.851

- 11** The compound interest earned on an investment of \$14 000 at 8% p.a. compounded annually for 4 years is: **A**
- A \$5040
- B \$5166
- C \$19 040
- D \$19 166
- 12** Rodney wants to make a single investment that will grow to \$10 000 when invested at 6% p.a. for 6 years with interest compounded annually. The amount of Rodney's investment needs to be closest to: **C**
- A \$4200
- B \$6400
- C \$7100
- D \$14 200

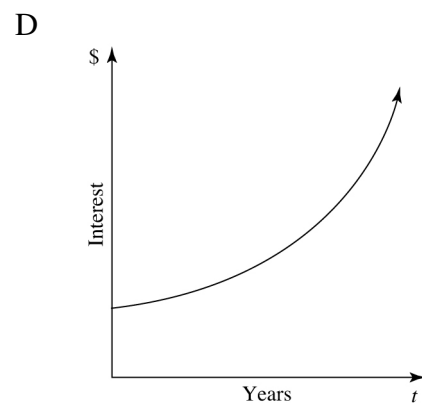
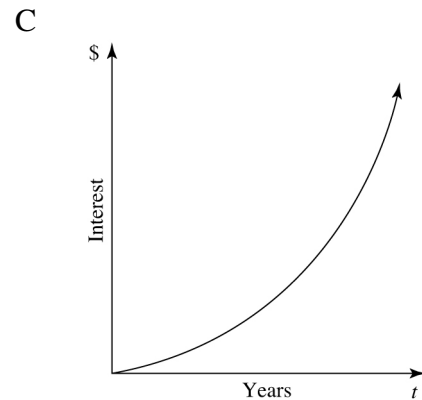
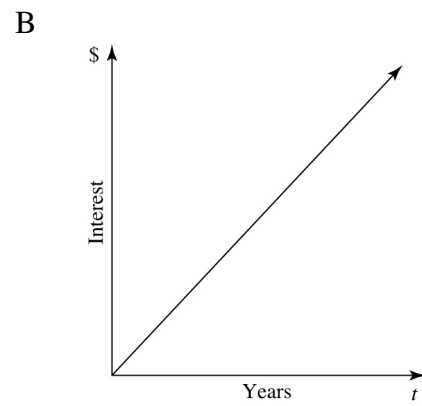
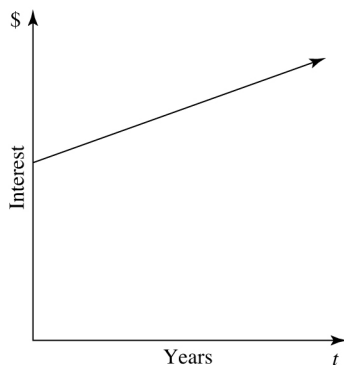
- 13** The length of time that it will take an investment of \$8000 to grow to \$10 000 when invested at 8% p.a. with interest compounded six-monthly is: **D**
- A  $1\frac{1}{2}$  years  
 B 2 years  
 C  $2\frac{1}{2}$  years  
 D 3 years.

- 14** The graph below represents the growth of an investment of \$40 000 invested at 10% p.a. with interest compounded annually. **A**



The number of years that the investment takes to double in value is closest to:

- A 7 years  
 B 8 years  
 C 9 years  
 D 10 years.
- 15** Which of the following graphs could represent the amount of compound interest earned from an investment?  
 A



- 16** A company that consists of 25 million shares has an after-tax profit of \$18.4 million. The dividend that the company will declare is: **B**
- A 73c  
 B 74c  
 C \$1.35  
 D \$1.36

- 17** Which of the following companies has the highest dividend yield? **A**
- A Company A has a share value of \$4.78 and declares a dividend of 68c per share.
- B Company B has a share price of \$9.52 and declares a dividend of \$1.01 per share.
- C Company C has a share price of \$18.56 and declares a dividend of \$1.54 per share.
- D Company D has a share price of \$72.54 and declares a dividend of \$6.84 per share.
- 18** Comprehensive family medical insurance costs \$1750 per annum. Assuming an average rate of increase of 9.5% each year, the insurance premium after 3 years is likely to be: **D**
- A \$1916
- B \$2098
- C \$2249
- D \$2298
- 19** The cost of a newspaper in 2007 is \$1.50. If the inflation rate over 10 years is expected to average 3% p.a., the price of the newspaper in 2017 would be expected to be: **C**
- A \$1.80
- B \$1.95
- C \$2.00
- D \$2.10
- 20** A commemorative coin is bought in 2007 for \$200. The value of the coin appreciates by 12% p.a. The value of the coin in 2027 will be closest to: **D**
- A \$480
- B \$680
- C \$1700
- D \$1900